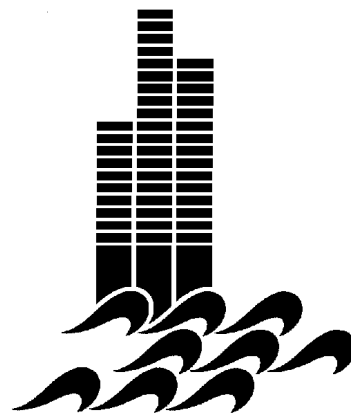


City of Long Beach
Redevelopment Reports Requested by the City Council on
August 20, 2002
Volume II – Study of Redevelopment in Long Beach



This information is available in an alternative format by request to
Otis Ginoza at (562 570-5093).

TABLE OF CONTENTS

INTRODUCTION.....	1
HISTORY OF REDEVELOPMENT	1
Problems and Strategies	1
Achievements	4
Major Redevelopment Challenges.....	6
Project Area Statistics	8
REDEVELOPMENT IN OTHER CITIES.....	10
Structure of Agency Boards.....	11
Public Involvement in Redevelopment.....	13
Redevelopment Strategies	14
SUMMARY AND CONCLUSION.....	17

ATTACHMENTS

- Attachment 1, Redevelopment Journal Articles
- Attachment 2, Memorandum on Retail Strategies

Long Beach Redevelopment Agency Study of Redevelopment in Long Beach

INTRODUCTION

This report has been prepared to present a concise study of redevelopment as it has been experienced in the City of Long Beach as well as in other cities. This report will cover the reasons that each of the project areas was adopted initially, the strategies that the Agency has utilized to resolve those problems and the major accomplishments that have been achieved in each area. In addition, the structure of redevelopment in other cities will be examined including public involvement practices and strategies utilized to effect redevelopment of blighted areas.

HISTORY OF REDEVELOPMENT

The Agency was first activated by the City Council in the 1960's and has since adopted 7 redevelopment project areas. The current Redevelopment Project Areas that exist in the City are as follows:

- West Beach.
- Poly High.
- Downtown.
- West Long Beach Industrial.
- Los Altos.
- North Long Beach.
- Central Long Beach.

The project areas were adopted over a long period of time, commencing with West Beach, which was adopted in 1964, and ending with the re-adoption of the Central Long Beach Project Area in 2001. Each area was adopted in response to specific issues present in each area.

Problems and Strategies

The Agency adopted each of its redevelopment project areas to alleviate specific problems that were present in each area. Strategies to turn the areas around and eliminate blight were tailored to meet the needs of each area. The problems that existed and the strategies employed to alleviate those problems are summarized below for each project area.

West Beach Redevelopment Project Area: A redevelopment project area was adopted in response to the deplorable conditions that existed within West Beach, a 21-acre area south of Ocean, and about one-half mile west of the Civic Center. When first adopted, the

Project Area was developed with sub-standard commercial and multi-family structures, many of which had formerly served as shoreline homes for wealthy families in the 1920's and earlier. By the early 1960's, conditions had deteriorated to the point that the area could be characterized as an urban slum, with health and safety hazards predominant.

The Agency acquired all of the properties in the Project Area, relocated the businesses and residents and cleared the properties for future development. In addition, a number of public improvements were made, including improvements to the I-710, the installation of an enhanced traffic signal system and the widening and improvement of Magnolia Avenue.

Poly High Redevelopment Project Area: At the time the Project Area was adopted, conditions in the area were deplorable. Many, if not most, of the existing residential structures were in a deteriorated condition. The existing commercial uses were also deteriorated and the area lacked modern commercial uses, which had avoided locating in the Project Area because of the conditions. In addition, the high school was seriously overcrowded and was without the ability to expand.

The Agency's strategy to turn the area around involved improvements to the three main uses in the area: educational; residential; and commercial. Educational improvements were made by assisting the high school to expand thereby relieving school overcrowding. Residential uses were improved through rehabilitation, reconstruction and infill. Attracting a full service grocery store to a location within the Project Area provided sorely needed commercial shopping opportunities.

Downtown Redevelopment Project Area: The area that is now the Downtown Redevelopment Project Area historically served as the main business and commercial center of the City. When the Project Area was adopted in 1975, it exhibited many of the characteristics of a declining urban commercial area. The area was suffering not only from physical deterioration and lack of adequate parking, but also from economic and functional obsolescence. In addition, downtown was perceived as a high crime area that lacked security. Because of these factors, downtown Long Beach could not effectively compete with new developments in outlying areas. Major stores and offices left the downtown and new or expanding businesses were not choosing downtown Long Beach as a location.

The Agency adopted a redevelopment project area and began working on changing these negative patterns. Strategic plans to guide developments were prepared, incompatible uses were eliminated and vacant and blighted buildings were acquired and redeveloped. To assist the private developments, additional parking was added and public improvements were installed. Finally, Pine Avenue, the historic shopping district in the area, was reestablished as a commercial destination location.

West Long Beach Industrial Redevelopment Project Area (WLBI): At the time that WLBI was adopted as a redevelopment project, the area was suffering from a number of blighting influences. The largely industrial area was scattered with incompatible residential uses that were poorly maintained and overcrowded. In addition, many of the industrial uses

were economically and functionally obsolete and were poorly screened and/or maintained. The area also lacked adequate infrastructure and public improvements.

As discussed in the following section, the Agency does not have the power of eminent domain in the Project Area and could not employ many of the most effective redevelopment strategies. Agency efforts in WLBI have therefore centered on the installation of public improvements, exterior improvement programs (screening, paving and landscaping) and Agency opportunity purchases and land banking. The employment of these strategies aided in the creation of a healthy industrial environment, sped the transition away from residential uses and increased job opportunities in the Project Area.

Los Altos Redevelopment Project Area: The Los Altos Redevelopment Project Area was adopted to reverse the continuing decline of the commercial retail uses along Bellflower Boulevard in east Long Beach. Many, if not most, of the commercial uses in the area were deteriorated, suffered from poor maintenance and were functionally and/or economically obsolete. Vacancy rates were nearly 30 percent and retail sales were significantly below the regional average.

In conjunction with the shopping center developer, the Agency was successful in transforming the out-of-date and blighted Los Altos Shopping Center into the popular Los Altos Market Center. The new center, which was completed in 1997, is very successful and has had a positive impact on the retail uses throughout the Project Area. The shopping center to the north of the Market Center has proved that while older, it is still a vital center. Signs of private investment and reinvestment are now frequently observable and retail sales have increased significantly.

North Long Beach Redevelopment Project Area: The North Long Beach Redevelopment Project Area was adopted in 1996 in response to the concerns of many residents and businesses in the North Long Beach Area. The area, as adopted, is large and contains 10 subareas, the largest of which is in North Long Beach. The second largest subarea is the Harbor Area, which contains the former Naval Station and Shipyard.

A number of problems exist in the North Long Beach Subarea. Much of the existing commercial properties are aging and are characterized by physical deterioration, substandard design and a lack of adequate parking. Modern commercial facilities are nearly non-existent in the area. While the residential uses in the Project Area tend to be relatively sound single-family neighborhoods, they have been negatively impacted by the poor condition of the surrounding commercial uses, high crime rates and other economic blighting conditions.

The Harbor Subarea of the Project Area consists primarily of the former Naval Station and Shipyard. The previous closure of this facility has negatively impacted the City's economy with an estimated annual loss of nearly \$1.8 million. The substandard design of the facilities and the hazardous waste contamination has limited the reuse of these facilities.

The Agency proposes to assist in the revitalization of commercial, industrial, residential and maritime uses throughout the Project Area. Because the Project Area is so new, much of the redevelopment of the area will occur in future fiscal years. Different redevelopment strategies have been tailored to meet the needs of the individual subareas. In the North Long Beach Subarea, Agency efforts to revitalize the area started with preparation of a Strategic Guide to Redevelopment, which was recently completed and will serve as a blueprint for future redevelopment in the area. Commercial uses will be revitalized by redirecting them to significant nodes and replacing declining commercial uses with residential or other alternative uses. In addition, streetscape improvements and active marketing campaigns have been initiated to attract high quality retailers to the area. In the Harbor Subarea, the Agency will encourage the reuse of the Naval Station and construction of public improvements to create economic benefits and to increase the efficiency and volume of truck and rail traffic.

Central Long Beach Redevelopment Project Area: This Project Area was originally adopted in 1993 in response to the 1992 riots. The riots caused over \$19 million in property damage in an already troubled area. In addition to the riot damage, problem commercial and residential uses are predominant in the area. Residential areas are severely deteriorated and suffer the effects of overcrowding. From 1980 to 1990 the population of the Project Area increased by 44 percent while new housing development in the area was minimal. Commercial areas are likewise deteriorated and obsolete. Vacancies are high and the major commercial arterials are characterized by boarded-up vacant buildings, deficient buildings that house retail outlets with limited market potential and other deteriorated conditions.

The Agency's ability to redevelop the area has been affected by the fact that before fiscal year 2002-03, the Project Area has not generated any tax increment revenue. Despite this significant limitation, which is discussed in more detail in a following section, the Agency has made some notable progress in the area. A Strategic Guide to Development, which will serve as a blueprint for future development, is being prepared.

The Agency's strategy to eliminate blight in the area has been one that is focused and designed to effectively leverage Agency revenues. Specifically, the Agency has put its first efforts forward by concentrating on highly visible projects, which assist the area in re-directing and concentrating commercial facilities in significant centers and along major arterial corridors while accommodating new residential needs and preserving existing neighborhoods. This is being accomplished by facilitating the development of modern retail shopping centers and by replacing obsolete commercial uses with quality residential projects.

Achievements

The Agency's employment of the strategies discussed above has resulted in numerous successful redevelopment projects and programs. Listings of some of the most significant achievements are included below.

West Beach: Agency achievements include the following:

- Oceangate Tower.
- Union Bank Center.
- Molina Medical Center.
- City National Bank.
- Arco Center (200 and 300 Oceangate).

Poly High: Agency achievements include the following:

- Poly High School expansion.
- Atlantic Avenue shopping.
- Rehabilitation or reconstruction of over 2/3 of the residences.
- New construction of over 128 affordable housing units.

Downtown: Agency achievements in the Downtown Project Area are too numerous to list. Some of the most significant are summarized below:

- Pine Avenue.
- CityPlace.
- Shoreline Square/Westin.
- Pine Square.
- Convention Center Expansion.
- Camden Housing.
- Genesis Housing.

WLBI: Agency achievements include the following projects:

- Westside Police Substation.
- Infrastructure.
- Creation of new industrial sites.
- Exterior improvements.

Los Altos: The Agency achieved its primary goal for the Project Area:

- Los Altos Market Center.

North: While still a new Project Area, the Agency has already completed a number of significant improvements. Major achievements include:

- Vons.
- Trader Joe's.
- Orchard's Supply Hardware.
- Bixby Knolls Streetscape Improvements.

- North Long Beach Guide to Redevelopment.

Central: The Agency has completed a number of significant projects in the Central Project Area. Major achievements include:

- Wrigley Marketplace.
- Renaissance Walk.
- Atlantic Villas.
- Live/Work Artist Housing.
- East Village Arts Park.

Major Redevelopment Challenges

As outlined above, the Agency faced significant challenges in each redevelopment project area. Certain challenges, however, were especially daunting and deserve special attention. Those challenges included: the lack of eminent domain in the WLBI; the lack of tax increment revenue in the Central Project Area; funding the creation of new projects and project areas with limited assistance available from the City; and the provision of decent, safe and sanitary housing.

Eminent Domain/WLBI: The 1975 adoption of the West Long Beach Industrial Project Area was challenged in court by a citizens group. That litigation was resolved through a settlement agreement, which provided that the Agency was to surrender the power of eminent domain in the area. The provisions of the settlement agreement significantly limited the strategies the Agency could employ to achieve the Project Area's goals and thereby eliminate blight. Because of this restriction, the Agency was unable to assemble significant development parcels that would attract major new industrial uses or provide a substantial amount of expansion space for existing uses. Some site assembly was accomplished through land banking. The Agency purchased properties as they came on the market and held title to the properties until the sites were needed for business expansion or attraction efforts. A land banking program requires more upfront monies and time than does site assembly assisted through the power of eminent domain. In addition, certain key properties never become available through the implementation of this type of program.

Because of the limitation to actively affect redevelopment in the area, Agency efforts in WLBI have centered on the installation of public improvements and exterior improvement programs for existing businesses (screening, paving and landscaping). While many improvements have been made in WLBI area, some of the preexisting problems, such as poor lot configuration could not be properly addressed without eminent domain powers. As such, the Agency's current efforts in the area are focused on maintaining existing improvements.

No Tax Increment from Central: The Central Project Area was original adopted in 1993

under special legislation enacted after the 1992 riots. Despite a speedy plan adoption and favorable legislative provisions, the Project Area failed to generate any tax increment revenues. Rather, assessed values continued to decline through the 1990's resulting in later assessed values that were below the values in existence when the project was adopted in 1992 (Base Year). Because the later values were less than the Base Year values, the Project Area did not generate any tax increment revenues from 1994, the first year it was eligible to receive tax increment, until 2001 when the Agency took action to reverse this situation. The Project Area was readopted on March 6, 2001, thereby establishing a new lower Base Year Value and increasing the likelihood that the Project Area will generate tax increment revenues in the future. In 2002-03, assessed values in the Project Area are higher than those in the new Base Year. As such, the Agency expects that tax increment revenues in the Project Area will be received beginning in November 2002.

As tax increment revenue is the Agency's primary funding source, operating a redevelopment project for nearly 10 years without any tax increment revenues posed a unique challenge for the Agency. Despite the lack of revenue, the Agency made a number of significant improvements to the area by carefully leveraging resources, obtaining grants and other funding and partnering with other public and private entities.

Funding New Projects: During the 1990's, the Agency desired to complete a number of projects but lacked the requisite funding sources. Agency revenues had significantly decreased and the City's financial outlook was similarly dim. Some of the desired projects included:

- Convention Center Improvements.
- Wrigley Marketplace.
- Los Altos Market Center.

Because of its large size and the inclusion of a substantial amount of Port related uses, WLBI has generated a significant amount of revenue over the years. Often such amounts exceeded the amounts that could reasonably be spent in the area, especially given the limitations imposed by the lack of eminent domain. While revenues in WLBI dipped in the 1990's, the overall discretionary resources available to the Project Area significantly exceeded those available to the other Project Areas, the Agency or even the City. As a result, it was determined that it was in the best interest of the Redevelopment Agency and the City to finance the above listed projects, directly or indirectly, with funds from WLBI. For the Convention Center, WLBI repaid the Port \$15 million for public improvements previously made to the area. The Port was then able to use the \$15 million to assist the City in making about \$30 million in improvements to the Convention Center. WLBI also assisted in effecting the development of the Wrigley Marketplace and the Los Altos Market Center. The public funding for these projects was secured through inter-project area investments by WLBI in the various redevelopment project areas participating in the financing of these projects. Those WLBI investments are being repaid over time with available funds in the areas. WLBI has also provided a more limited level of assistance in the funding of some other projects and programs including Pine Square, Chestnut Garage

and Atlantic Avenue Shopping.

Development of Affordable Housing: The City of Long Beach has a huge need for additional affordable housing units. Many areas of the City are overcrowded and many residents are either paying more than they can afford for housing or living in housing that is not decent, safe or sanitary. Funding available for housing, however, is limited and has been insufficient to meet the demand for additional housing, particularly at affordable levels. All types of housing are needed from affordable artist lofts to large single-family homes. With limited resources, the prioritization of the types and locations of housing assistance becomes paramount.

Project Area Statistics

After a redevelopment project area is adopted, the Agency is eligible to receive the taxes generated by increases in the assessed value of property in the area. The taxes generated by this increased value are referred to as tax increment revenues. From tax increment revenues generated, the Agency is obligated to make certain payments. First, the County of Los Angeles subtracts a charge for collecting and allocating the taxes. That charge is equal to about 2 percent. Second, the Agency must use 20 percent of tax increment revenues for low- and moderate-income housing purposes. Third, the Agency is obligated to make certain payments to other taxing entities in certain Project Areas. The amount and timing of these payments differ from one Project Area to another, but do not currently exceed 20 percent of total tax increment for any of the Project Areas. Specifically, the Project Areas that have been adopted since 1994 have tax sharing agreements that currently equal 20 percent of total tax increment. The Project Areas that were adopted before 1994 are not currently required to make tax sharing payments, but may need to begin making tax sharing payments in 2004 and thereafter, depending on Agency actions regarding extending certain deadlines in the Project Areas.

A description of each of the Project Areas is included below, including a discussion of tax increment revenues. References to annual tax increment revenues are to net tax increment revenues, i.e., revenues available after subtracting the administrative charge, the housing set-aside requirement and the pass through payments.

West Beach: The oldest of the redevelopment areas in the City, West Beach was adopted on July 21, 1964. The Project Area consists of 21 acres south of Ocean Boulevard, about one-half mile west of the Civic Center. Current assessed values are thirty times higher than they were in 1964. This increase has resulted in current annual net tax increment revenues of about \$1.0 million. From 1964 until the present, the Agency has received a cumulative total of about \$25.7 million in tax increment revenue from the Project Area.

Poly High: The Redevelopment Agency adopted the Poly High Redevelopment Project Area on April 3, 1973. At about the same time, the area was also designated a Neighborhood Development Project, the predecessor of the Community Development Block Grant program, enabling it to receive certain federal funds. The Project Area

encompasses 87.1 acres and includes the Polytechnic High School and a relatively small amount of residential and strip commercial development. The Project Area is bounded by Pacific Coast Highway to the north, California Avenue to the east, Anaheim Street to the south and Atlantic Avenue to the west. Property tax values in the area are eight times the level they were in 1973, resulting in annual net tax increment revenues of about \$328,000. To date, the Agency has received a total of about \$4.5 million from the Project Area.

Downtown: The Downtown Redevelopment Project Area was adopted on July 17, 1975. It includes 421 acres and is bounded generally by Pacific on the west, 7th Street on the north, Atlantic Avenue on the east and Shoreline on south. Current assessed values are six times the level they were in 1975. This increase has resulted in net annual tax increment revenues of about \$6.2 million. From 1975 until the present, the Project Area has generated a cumulative total of about \$126.1 million in tax increment revenue.

WLBI: The West Long Beach Industrial Redevelopment Project was adopted about the same time as the Downtown Project Area (1975). Consisting of approximately 1,368 acres, the Project Area is divided into two distinct areas by Anaheim Street. The northern portion of about 350 acres is an area of mixed land uses, including industrial uses and housing. The southern portion is from Anaheim south to the ocean and primarily includes port-related uses. Because of its larger size, WLBI has generated more revenue than some of the other older and smaller Project Areas. The 1975 base year value for the Project Area equaled about \$162 million. The base year value has since tripled and the assessed value is today nearly \$700 million. This results in annual net tax increment revenues equal to about \$4.9 million. Since the Project Area was initially adopted, the Agency has received about \$103.9 million in tax increment revenue from WLBI.

Los Altos: The Los Altos Redevelopment Project Area, adopted on December 10, 1991, is a small 45-acre Project Area located at Bellflower and Stearns in east Long Beach. The Project Area includes two large shopping centers and several smaller centers and commercial buildings. Assessed values in the area have doubled since the Project Area was adopted in 1991. Annual net tax increment revenues total about \$350,000 with cumulative revenues reaching \$1.2 million since project adoption.

North: Adopted in 1996, the North Long Beach Project Area is the largest of the Agency's seven redevelopment areas. It consists of 10 non-contiguous areas and totals approximately 7,540 acres of land and 4,967 acres of harbor waterfront property. The majority of land within the Project Area is located north of the San Diego Freeway (I-405) and is bordered by the cities of Compton, Paramount and Lakewood. The harbor area included consists primarily of the former Naval Station and Shipyard. Assessed values have increased over the 1996 levels by about 33 percent. Because of its large size, the Project Area already generates nearly \$7 million in annual net tax increment revenue. To date, the Agency has received a total of over \$15.9 million in tax increment revenue from the Project Area.

Central: While not quite as large as the North Long Beach Project Area, the Central

Project Area is also very large area at 2,619 acres. The Project Area is generally located in southern Long Beach, south of the I-405 (San Diego) Freeway, north of Seventh Street, east of the I-710 Freeway and west of Redondo. This Project Area was originally adopted in 1993 under special legislation enacted after the 1992 Civil Unrest. Due to declining assessed values in the area and southern California in general, however, the Project Area did not generate any tax increment revenues from 1994 to 2001. The Project Area was readopted on March 6, 2001, in an attempt to reverse the declining revenue pattern. Fiscal Year 2002-03 will be the first year that the Project Area will receive tax increment revenues, which are anticipated to equal about \$1.4 million.

Future Revenues: Legislation adopted over the years has had the effect of placing certain state imposed restrictions on all redevelopment project areas. Significant restrictions that have been enacted include a limitation on the number of years that a redevelopment plan can be in existence (e.g., 40 years) and a limitation on the amount of tax increment revenue that can be received (e.g., \$100 million). Tax increment revenues can be received for up to 10 years beyond the end of the redevelopment plan. Future tax increment revenues to be received by the Agency from all 7 of its redevelopment projects will be limited by these restrictions. Summaries of the Project Areas, the years in which the Redevelopment Plans will terminate and the amounts of tax increment revenues anticipated to be received from 2002-03 through 10 years following the termination of the Plans are summarized below.

Project Area	Plan Terminates	Years Remaining	Future Tax Increment *
West Beach	2009	7	\$19.5 million
Poly High	2013	11	\$3.9 million
Downtown	2015	13	\$233.0 million
WLBI	2015	13	\$132.2 million
Los Altos	2031	29	\$24.4 million
North	2026	24	\$647.5 million
Central	2031	29	\$303.6 million

* Future tax increment revenues represent the cumulative total of the net tax increment revenues projected to be received for each Project Area through the last year it is eligible to receive tax increment, as per a report prepared by Keyser Marston & Associates, dated September 3, 2002.

With the exception of Poly High, the tax increment limit for each Project Area is estimated to be sufficient for the Agency to receive all tax increment revenues to which it would otherwise be entitled through the full allowable term. In Poly High, however, a \$9.8 million tax increment limit is in effect. Tax receipts in the Project Area are estimated to reach that limit in 2012, which is 10 years prior to 2022, the last year the Agency would be eligible to receive tax increment.

REDEVELOPMENT IN OTHER CITIES

There are 475 cities in California. The City of Long Beach is the 5th largest city in the state with a population of 473,000. Only Los Angeles, San Francisco, San Jose and San Diego are larger with populations of 800,000 to 3 million. Slightly smaller cities include the cities of Sacramento, Oakland and Fresno, which have populations ranging from 400,000 to 450,000. Smaller yet are Santa Ana and Anaheim, both of which have populations of about 350,000. Other cities in California have populations under 300,000. To recap, the ten largest cities are as follows:

City	Population
1. Los Angeles	3,807,400
2. San Diego	1,244,700
3. San Jose	918,000
4. San Francisco	793,600
5. Long Beach	473,100
6. Fresno	441,900
7. Sacramento	426,000
8. Oakland	408,800
9. Santa Ana	343,700
10. Anaheim	334,700

Structure of Agency Boards

Most of California's 475 cities have activated their redevelopment powers. The California Redevelopment Law empowers the City Council to utilize redevelopment powers by adopting an ordinance declaring the need for an agency and establishing a redevelopment agency board. In most cities, the city council also serves as the board of the redevelopment agency. Only in the largest cities are separately appointed boards that handle redevelopment matters more typical. In several larger cities these boards operate as fully functioning redevelopment agencies. It is just as common, however, for the appointed boards to have less than a full range of powers even in large cities. Rather, many of the boards serve more in an advisory capacity or handle smaller matters. For instance, in San Diego, several non-profit groups (CCDC and SEDC) perform many of the functions of a redevelopment agency, but their vote is advisory in nature and most redevelopment agenda items must still be taken to the City Council for approval. Agency boards are appointed bodies, typically appointed by the mayor or city council.

In Long Beach, the City Council established an appointed board to oversee day-to-day redevelopment matters. That board, which is empowered with the full range of redevelopment powers available under the law, is appointed by the Mayor and confirmed by the City Council. Beginning in 1999, two of the members are to be appointed by the Mayor from nominees submitted by the Agency's existing Project Area Committees. The number of PAC nominated Agency Board members is to increase from two to three in June 2003. Long Beach appears to be the only City in California where the Project Area

Committee submits nominees for Agency Board members.

To recap, in all but the largest cities, the city council acts as the agency board. With large cities, separate boards are more common. Six of the ten largest California cities have separate agency boards with at least advisory powers. The type of agency boards in the 10 largest cities is as follows:

City	Agency Board
1. Los Angeles	Separate Board with Full Powers.
2. San Diego	Separate Boards with Advisory Powers/CCDC and SEDC.
3. San Jose	City Council serves as Board.
4. San Francisco	Separate Board with Full Powers/Redevelopment Commission.
5. Long Beach	Separate Board with Full Powers.
6. Fresno	City Council serves as Board.
7. Sacramento	Separate Board with Limited Powers/Hsg. & Red Commission.
8. Oakland	City Council serves as Board.
9. Santa Ana	City Council serves as Board.
10. Anaheim	Separate Board with Advisory Powers/Hsg. & Red Commission.

It is no coincidence that separate boards tend to appear in the largest cities. First of all, the volume of transactions and administrative responsibilities that must go before a redevelopment agency in larger cities make it a challenge for the City Council to handle all redevelopment matters. It can be impractical for the City Council to expect itself to keep up with the many details involved in redevelopment. A separate board can be more focused and have the luxury of developing specialized expertise in a particular area (i.e., redevelopment). It can also be a good non-political check on the systems of approval. The downside of a separate board is that it can become its own power base and begin to focus in directions that are not desired by the elected representatives. This appeared to be what happened in Los Angeles where the City Council is discussing disbanding the Agency Board. It is believed that the Board will probably not be disbanded in Los Angeles, but that closer oversight by the City Council will probably continue.

In smaller cities, separate redevelopment boards do not work as well. The City Council

deals with fewer issues and tends to be less amenable to delegating redevelopment issues, which can be highly visible. In addition, the focus of redevelopment in smaller cities is often more about financing public improvements than conducting classic redevelopment.

Public Involvement in Redevelopment

Redevelopment agencies across the state use ad hoc community groups to provide input on important redevelopment projects and programs. Some agencies also use ongoing advisory groups, either formal Project Area Committees or other advisory groups. The bigger the city, the more the advisory groups tend to be ongoing and formal.

PACs: The Community Redevelopment Law requires that redevelopment agencies form Project Area Committees (PACs) at the time a redevelopment project is adopted if a substantial number of low and/or moderate-income persons reside within the Project Area, and there is at least the possibility that these persons will be displaced through redevelopment programs or projects. There are specific procedures that must be followed to create a PAC and, in a plan adoption or amendment process, the PAC has certain prescribed powers. Specifically, if the PAC does not approve a plan adoption or plan amendment, the legislative body can only adopt the Project Area by a 2/3 vote.

After a project area is adopted, the PAC's responsibilities, as defined in the redevelopment law, are much more limited and are strictly advisory in nature. The law provides that PACs are to remain in existence for a period of 3 years and are to advise agencies on "... those policy matters which deal with the planning and provision of residential facilities or replacement housing for those to be displaced by project activities." In addition, the Agency is to "... consult with the committee on other policy matters which affect the residents of the project area." Extending the term of the PAC beyond the 3-year period is specifically provided for in the law through 1-year extensions granted by the city council.

PACs in most cities follow the minimum legal guidelines and are disbanded at the end of a three-year term. These PACs tend to be very active during the redevelopment plan adoption or amendment process, with a more limited role thereafter. These groups tend to lose interest in the committee/process over time and are usually disbanded without dissent at the end of the three-year term. In some of the largest cities, however, PACs have roles that extend beyond the role provided for them in the law.

In Long Beach, three redevelopment project areas have formal PACs: WLBI, North Long Beach and Central Long Beach. In WLBI, a settlement agreement which resolved litigation concerning the Project Area's adoption in 1975 provided that the PAC was to remain in existence for the life of the Project Area. The Redevelopment Plans in the North and Central Project Areas provide that PACs were to be formed for both Project Areas and are to remain over the term of each Project's life. The PACs meet monthly and provide recommendations on budget items and projects, which result in development agreements. The PACs also nominate candidates from whom the Mayor appoints up to 3 members of

the Agency Board.

About half of the 10 largest cities utilize PACs in the way prescribed by law. Three of the 10 largest redevelopment agencies, Santa Ana, Anaheim and Oakland, either have no PACs or keep to the legal guidelines and disband any PACs after three years. While San Jose also has no PACs that have existed beyond a three-year term, a PAC and 13 related neighborhood groups were recently formed for a plan adoption effort. All 14 groups are being used extensively by the city for advice on a number of issues, including comprehensive strategic planning. While the groups are still relatively new, it is expected that involvement by at least the neighborhood groups will continue beyond the 3-year term.

The other 5 major cities, Los Angeles, San Diego, San Francisco, Sacramento and Fresno, have PACs or similar advisory groups that have been in existence for longer than 3 years. Many larger cities transition their PACs into other types of neighborhood groups after the expiration of the 3-year term. For instance, in Sacramento, the PACs are transitioned into ongoing advisory committees with different names and different by-laws. This allows additional flexibility in appointing members and allows the Sacramento Agency to require term limits for committee members.

PACs (or their replacement committees), which extend beyond the three-year time limit, tend to be consulted on most redevelopment issues. In most instances, the roles of these groups remain advisory, with city staff members providing staff assistance to the group. Besides Long Beach and San Francisco, no cities were identified that have formally bestowed upon the Project Area Committee duties and rights beyond those specifically provided for in the law. In Sacramento, the Agency recently restricted and redefined the role of its advisory committees.

Redevelopment Strategies

Redevelopment agencies routinely assist private developers in order to attract desirable new development and other uses to targeted areas of the city. The nature of the public/private partnerships that result vary as much from one type of development to another as from one city to another. For instance, developing housing in a downtown setting typically requires a substantial amount of redevelopment assistance, particularly with the first few pioneering efforts. Similarly, providing quality retail experiences, particularly in an urban environment, typically requires redevelopment financial assistance.

The statewide redevelopment association, California Redevelopment Association or CRA, publishes a monthly newsletter, the Redevelopment Journal. On a regular basis, projects of statewide note are summarized in articles entitled "Project of the Month". The projects that are included in the newsletter are ones that are noteworthy because of the particular challenges involved in the project or particularly favorable result. Copies of those articles as they appeared in the newsletter over the 2002 year are attached. Brief summaries of the redevelopment projects included in the newsletter are included below:

- **Sacramento August 2002 Issue: Luxury Hotel in Downtown Area** – A historic building in downtown Sacramento was revitalized and transformed into the focal point for a new 500-room Sheraton Hotel. Significant Agency assistance was required to realize both the hotel and the incorporation of the historic building. The Agency made two separate investments in the Project: \$8 million of tax increment for land acquisition and the administration of \$98 million in tax exempt revenue bonds. In addition, the Agency provided a below-market lease for an adjacent parking garage.
- **Ontario October 2002 Issue: Seasons at Ontario Gateway Plaza** – Seasons is a mixed-use project that was developed by a non-profit developer with Agency assistance. The completed project includes affordable housing for seniors and 153,000 square feet of retail space. The overall combined project cost totaled \$24 million, which included \$5 million from the Redevelopment Agency. In addition to the \$5 million in redevelopment assistance, the City also assisted the project. The City purchased the land and leased it to the developer and made a loan to be repaid from residual receipts.
- **Sacramento January 2002 Issue: Attracting a Full Service Supermarket to a Low Income Neighborhood** – This project took 15 years to realize and involved private investment of \$8.35 million and \$4.1 million in Agency assistance. The Agency assisted the project with land acquisition, planning entitlements, off-site improvements and a tax increment rebate. In addition to the supermarket, the developer ultimately constructed a drug store and a video store.
- **Hercules April 2002 Issue: New Masterplanned Community on a Brownfield Site** – A formerly contaminated property will be converted to a masterplanned community with redevelopment assistance.
- **Morgan Hill May 2002 Issue: New Low Income Apartments** – A new residential project providing housing for low income households was built in Morgan Hill by a non-profit housing group with Agency assistance. The 42 new apartments replaced an old dilapidated trailer park. Total project costs totaled \$9.8 million, with \$2.4 million coming from the Redevelopment Agency.
- **Lake Tahoe July 2002 Issue: Tahoe City Streetscape Project** – Sorely needed pedestrian and drainage improvements were installed in Tahoe City through a cooperative effort with the County of Placer, a number of citizen and business groups and the Redevelopment Agency. Total project costs equaled \$11.48 million, which included a contribution of \$700,000 from the Agency and \$700,000 from the City.
- **Roseville September 2002 Issue:** Central Roseville was transformed through successful redevelopment strategies. To date, the Agency and City have spent \$20 million to revitalize the area, which efforts included the installation of new

streetscapes and the revitalization of the City's civic center. Future plans include redevelopment assistance for residential projects and the installation of new parking opportunities.

In addition to reviewing the Redevelopment Journal, staff prepared some more focused research to present summaries of the types of public/private partnerships that have been recently formed to develop retail shopping centers, particularly in southern California. A number of redevelopment agencies in California have assisted the private sector in creating new retail experiences in urban as well as suburban settings. Summaries of the developments are included below. Additional details concerning the developments and the related public/private partnerships are included in an attached memorandum.

- **Pasadena 1999: Conversion of Plaza Pasadena into Urban Open-Air Retail/Housing** – The Redevelopment Agency assisted the developer in converting an old 1980's enclosed mall into a new urban outdoor shopping experience. Total project costs are estimated to total \$101 million, with Agency assistance of \$26 million. Agency assistance, provided through an OPA, included the costs of acquiring the developers' leasehold interest in the existing parking, renovating the parking structures and providing certain public improvements. Agency assistance was provided even though the original enclosed mall was developed with Agency assistance in 1980. The new center, which also includes housing, is performing well.
- **Anaheim 1992: Conversion of Enclosed Mall into a Power/Neighborhood Center** – The Agency entered into an OPA with the owner of a poorly performing enclosed mall. The OPA provided for the conversion of the old mall into an open air power center with an adjacent grocery store/neighborhood center. The OPA obligated the developer to spend \$28 to \$32 million on the reconstruction effort and to build up to 600,000 square feet of additional commercial/retail/entertainment space. The Agency was obligated to fund 50 percent of actual relocation costs plus contribute up to \$6.3 million to fund public improvements and certain other costs.
- **Hollywood 1998: Construction of Hollywood and Highland** – This recently opened outdoor shopping experience is located at Hollywood and Highland in the City of Los Angeles. It contains the Kodak Theater, a live-broadcast 3,300 seat facility, plus 170,000 square feet of retail and commercial space. The Agency assisted the developer in the construction of the facility by providing a substantial portion of the costs for the development of the Kodak Theater and parking facilities. Total project costs were estimated at \$385 million: \$90 million from the Agency and \$295 million from the developer.
- **Riverside 1996: University Village Entertainment/Retail Center** – The Agency provided substantial assistance to the developer to make this suburban shopping center a reality. Assistance was provided in both the initial phases as well as in later phases when the uses on the site were intensified and structured parking was required. The Agency invested over \$7.9 million in the first phase of the project while

private costs totaled about \$16.6 million.

- **Oxnard 1995: Construction of a New Outlet Center** – In order to attract a 147,600 square foot outlet center, the City waived fees, gave tax credits and put a freeze on future development. Total public costs to effect the development, which was completed in 1994, equaled \$1 million.

SUMMARY AND CONCLUSION

Through redevelopment, the City has overcome many obstacles to achieving a successful city. While Agency accomplishments have been notable and many problems have been overcome, significant additional challenges face the City in 2002 and thereafter. The City's Redevelopment Project Areas have generated a significant amount of tax increment to date. The number of years remaining, however, for many of the older projects is limited. These limitations will affect the amount as well as the number of years that the Agency can receive tax increment revenues from these areas. It is therefore recommended that the Agency adopt policies and programs that will maximize redevelopment efforts and concentrate efforts where they will do the most good.